

Message Text

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PAGE 01 OTTAWA 04475 132245Z
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
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/115 W

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R 132213Z SEP 78
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC 8634
INFO AMCONSUL CALGARY
AMCONSUL HALIFAX
AMCONSUL MONTREAL
AMCONSUL QUEBEC
AMCONSUL TORONTO
AMCONSUL VANCOUVER
AMCONSUL WINNIPEG

UNCLAS OTTAWA 04475

DEPT. PASS CEA, TREAS, FRB

E.O. 11652:N/A
TAGS: ECON, CA
SUBJECT: CANADIAN INFLATION MODERATES IN AUGUST.

1. SUMMARY. DECLINE IN FOOD PRICES IN AUGUST LED TO MONTHLY INCREASE OF ONLY 0.1 PERCENT IN NON-SEASONALLY ADJUSTED (NSA) CONSUMER PRICE INDEX (CPI). TWELVE MONTH RISE IN INDEX WAS 9.4 PERCENT, DOWN FROM 9.8 PERCENT INCREASE IN JULY. ON SEASONALLY ADJUSTED BASIS (SA), NO INCREASE WAS SHOWN IN AUGUST. END SUMMARY.

2. LONG AWAITED DROP IN FOOD PRICES MATERIALIZED IN AUGUST LEADING TO MONTHLY RISE OF ONLY 0.1 PERCENT TO 177.8 (1971 100) IN CPI. FOOD PRICES (NSA) DECLINED BY 1.4
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PAGE 02 OTTAWA 04475 132245Z

PERCENT IN MONTH, DUE TO ARRIVAL ON MARKET OF DOMESTICALLY PRODUCED FRESH FRUITS AND VEGETABLES AND TO LOWER PRICES FOR BEEF. NON-FOOD PRICES (NSA) ROSE BY 1.4 PERCENT, WITH HIGHER GASOLINE PRICES AND RENTS CONTRIBUTING TO RISE. TWELVE MONTH RISE (NSA) IN CPI WAS 9.4 PERCENT IN AUGUST, DOWN FROM JULY INCREASE OF 9.8 PERCENT.

3. ON SEASONALLY ADJUSTED BASIS (SA), CPI SHOWED NO INCREASE IN AUGUST. FOOD PRICES (SA) WERE DOWN BY 1.0 PERCENT; NON-FOOD PRICES ADVANCED BY 0.4 PERCENT. IN THREE MONTHS TO AUGUST, CPI ROSE AT SEASONALLY ADJUSTED ANNUAL RATE OF 7.6 PERCENT, COMPARED WITH INCREASE OF 12.7 PERCENT IN THREE MONTHS TO JULY. FOOD PRICES INCREASED AT ANNUAL RATE OF 12.3 PERCENT AND NON-FOOD PRICES AT 5.5 PERCENT ANNUAL RATE.

4. COMMENT. RELIEF FROM INFLATIONARY PRESSURES FROM FOOD PRICES IS APT TO BE TEMPORARY. EVEN WITH LITTLE CHANGE IN FARM PRICES THEMSELVES, SHIFT IN COMPOSITION OF FOOD CONSUMED IN CANADA TOWARDS HIGHER PROPORTION OF IMPORTS IN TOTAL BASKET, ESPECIALLY WINTER FRUITS AND VEGETABLES IMPORTED FROM THE U.S., COULD PUSH UP AVERAGE RETAIL FOOD PRICES (NSA) DUE IN PART TO DEPRECIATION OF THE CANADIAN DOLLAR EXCHANGE RATE. ENDERS

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